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In The
Supreme Court of the United States

OCTOBER TERM, 1997

BELOIT CORPORATION,
Petitioner,
vs.
VALMET PAPER MACHINERY, INC. AND VALMET, INC.
Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONER'S REPLY BRIEF

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The issue before the Court is the usurpation of the Seventh Amendment right to jury fact finding by the Federal Circuit. The issue has broad significance and application.

This Court's recent decision in *Markman v. Westview Instruments Inc.*, ___ U.S. ___, 116 S.Ct. 1384 (1996) holds that construction of the claims of a patent is a matter of law for the court. Valmet asserts that reversal of the Federal Circuit's decision here requires reversal of this Court's decision in *Markman*. Valmet is wrong about both the decision below and the issues raised by this petition. This petition is not about construction of claims of a patent. This petition is about appellate review of

facts, *ignoring the fact that a jury required by the Seventh Amendment was involved*, and, about appellate fact finding. In the relevant portion of its holding for which certiorari has been requested, the Court of Appeals did not hold that the question was one of law and therefore had been improperly given to the jury for decision. Rather that court correctly assumed that the issue was one of fact, but nevertheless reviewed that determination under an unconstitutionally invasive standard. The Federal Circuit's review of the facts found in the district court and its own fact finding are indefensible. Respondents' opposition does not attempt to defend either. It ignores them.

The Federal Circuit improperly reviewed the district court's decision denying judgment as a matter of law as though it was a decision after a bench trial. Valmet offers no defense of the Federal Circuit's procedure. The Federal Circuit applied an improper standard of review, the "clearly erroneous" standard, to review findings of fact made by a jury. Valmet offers no defense of the standard employed by the Federal Circuit. That standard of review violates Beloit's rights under the Seventh Amendment to a jury determination of facts. Valmet does not argue otherwise.

1. THE ISSUES RAISED BY BELOIT'S PETITION DO NOT IMPLICATE THIS COURT'S DECISION IN *MARKMAN V. WESTVIEW INSTRUMENTS, INC.*

Valmet argues that the judgment entered by the district court on the jury's verdict of nonobviousness can only be sustained by reversing this Court's decision in *Markman* and holding that it is proper to allow a jury to construe claims of a patent. Opp. at 3. This assertion is apparently based on the district court's failure to instruct the jury on the meaning of the claims of Beloit's patents.[1] Opp. at 3. Valmet's argument that

[1] This case was tried in November, 1994, and the district court's decision denying Valmet's motion for judgment as a matter of law was rendered on April 3, 1995. The district court did not have the benefit of either this Court's decision or the Federal Circuit's en

Markman must be reversed to affirm the district court's judgment is not supported by the Federal Circuit's decision. The Federal Circuit did not hold that the district court's failure to instruct the jury on the meaning of the claims of Beloit's patents precludes entry of judgment on the verdict.

Valmet's assertion that judgment entered on a jury's verdict must represent deference to a jury's legal conclusions is inconsistent with well settled precedent that deference to facts found by the jury, not its legal conclusions, is the basis for review of judgments entered on jury verdicts.

> When an issue of law has been submitted to the jury upon disputed facts - for example, a jury special verdict on patent claim obviousness where the underlying facts have been disputed - the standard of review has two parts. We first presume that the jury resolved the underlying factual disputes in favor of the verdict winner and leave those presumed findings undisturbed if they are supported by substantial evidence. Then we examine the legal conclusion *de novo* to see whether it is correct in light of the presumed jury fact findings.

Jurgens v. McKasy, 927 F.2d 1552, 1557 (Fed. Cir.), *cert. denied*, 502 U.S. 902 (1991).

Here, underlying facts concerning the teachings of the prior art were disputed. The district court's decision denying Valmet's motion for judgment as a matter of law identified many of those disputed facts and held that a reasonable jury could have found in favor of Beloit on those issues. App. E at 5 - 12, Beloit's Petition ("Pet.") at 13 - 14. Those facts have nothing to do with construction of the claims of Beloit's patents.

What a patent teaches is indisputably a question of fact.

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banc decision in *Markman* when ruling on jury instructions or Valmet's motion for judgment as a matter of law.

> Determination of what a patent teaches is fact finding, not interpretation. *Graham*, 383 U.S. at 17, 86 S.Ct. at 693, 15 L.Ed. at 556, 148 USPQ at 467.

Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561, 1579 nt. 42 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987). The Federal Circuit held that the district court erred in making findings of fact concerning the teachings of the prior art Soininen patent to support denial of Valmet's motion for judgment as a matter of law. "Thus we hold, that the district court incorrectly limited the teachings of Soininen" App. D at 9. The Federal Circuit reviewed the district court's decision denying Valmet's motion for judgment as a matter of law as though it set out findings of fact made by the district court. That review is error. Pet. at 14 - 16.

The Federal Circuit did not simply vacate the district court's judgment based on its holding that the district court erred in denying Valmet's motion for judgment as a matter of law. The Federal Circuit reversed the judgment. That reversal is based on both the Federal Circuit's construction of the claims of Beloit's patents and on its re-finding of facts concerning the teachings of the prior art Soininen patent and a published patent application.

> Given our reading of the Soininen patent and Hauser publication, *and* our interpretation of the Beloit patents, we hold that a person of ordinary skill in the art would have found Beloit's claimed invention obvious.

App. D. at 10 (emphasis added). The Federal Circuit recognized that its construction of the claims of Beloit's patents was not alone a sufficient basis for reversing the judgment. Reversal required facts contrary to those that the district court held a reasonable jury could have found.

The Federal Circuit disregarded the facts found in the district court *by ignoring the existence of the jury*. The Federal Circuit reviewed the facts set out by the district court's opinion denying Valmet's motion for judgment as a matter of law as though it were a decision prepared pursuant to Rule 52(a) Fed.R.Civ.P. after a trial to the court rather than a decision pursuant to Rule 50

Fed.R.Civ.P. The Federal Circuit disregarded facts that the district court had held that the jury could have reasonably found. It did so based on the "clearly erroneous" standard of review. *That decision deprived Beloit of its Seventh Amendment right to a jury trial.* Pet. at 13 - 26. The Federal Circuit's reversal of the judgment of the district court can, and should, be reversed by holding that the Federal Circuit improperly disregarded facts found by the jury and improperly found facts *de novo* on appeal.

2. CONSTRUCTION OF THE CLAIMS OF BELOIT'S PATENTS IS NOT DISPOSITIVE OF VALIDITY OF THOSE PATENTS - THE FEDERAL CIRCUIT DID NOT HOLD OTHERWISE.

Valmet also argues that construction of the claims of Beloit's patents is dispositive and that the Federal Circuit's decision can be supported on that basis alone. Opp. at 3 - 11. That position is Valmet's alone. The Federal Circuit explicitly based its decision on both its claim construction, and, its *de novo* interpretation of the technical teachings of publications. Interpretation of the teachings of those technical publications is a determination of fact.

Valmet asserts that Beloit's petition does not argue that the claims of Beloit's patents are not invalid over the Soininen patent and the Hauser application when those claims are construed as the Federal Circuit construed them. Opp. at 7 and 10. Whether the Federal Circuit's claim construction alone invalidates the claims of Beloit's patents is not an issue raised by the Federal Circuit's decision. The Federal Circuit recognized that claim construction alone would not invalidate the claims of Beloit's patents.

Beloit's petition argues throughout that the Federal Circuit erred profoundly by disregarding both that this case involves jury fact finding *and* the facts found by the jury. Beloit's petition specifically identifies facts that the district court held could have been reasonably found by the jury to support a holding that the claims of Beloit's patents are not invalid. Pet. at 13 - 14. Those facts establish the severe failures of the prior art to teach the inventions disclosed by Beloit's patents. There was no reason to

argue specifically that the claims of Beloit's patents, as construed by the Federal Circuit, could not be invalidated based on those facts. The Federal Circuit did not suggest that the claims as construed by that Court could be invalidated based on any jury found facts. The Federal Circuit's decision was based on the facts that it found *de novo* contrary to this Court's admonition that a court of appeals should not make factual findings of its own. *Icicle Seafoods, Inc. v. Worthington*. 475 U.S. 709, 714 (1986).

Claims of Beloit's patents cannot be held invalid without underlying facts. See Pet. at 10-11. Valmet fills that hole in its argument by conclusorily asserting that the teachings of the technical publications at issue here, the Soininen patent and the Hauser application, invalidate claims of Beloit's patents under the Federal Circuit's construction of the claims. Opp. at 8 - 9. Valmet does not acknowledge that it is arguing for its own version of contested facts which was rejected by both the jury and the district court.

Apparently to explain how a trial judge who presided over a five day trial and prepared a detailed and thorough decision based on an extensive examination of the evidence could disagree so completely with the Federal Circuit on these fact issues, Valmet asserts that the district court excluded the Soininen patent as a prior art reference and ignored its teachings. Opp. at 7. That accusation is unfair, and plainly wrong. The district court's opinion clearly demonstrates that the court carefully considered the evidence relating to the teachings of the Soininen patent. App. E at 5 - 12. The district court did not ignore or exclude the Soininen patent. The district court carefully examined the record and held that the jury could reasonably disagree with Valmet's version of the teachings of that patent to those skilled in the art of paper machine design. App. E at 10 - 12.

CONCLUSION

To invalidate claims of a patent for obviousness requires findings of fact. The Federal Circuit had no stipulated facts, no uncontested facts, and no facts found by the district court which were sufficient to invalidate the claims of Beloit's patents. The district court held that a reasonable jury could have found facts supporting the legal conclusion that the claims of Beloit's patents were not invalid for obviousness. The Federal Circuit disregarded not only those facts but disregarded the very involvement of a jury in the fact finding in the district court based on an improper standard of review. The Federal Circuit had to, and did, find facts *de novo* to support its conclusion that claims of Beloit's patents are invalid for obviousness. That review and *de novo* fact finding are error.

Valmet seeks to defend the decision of the Court of Appeals by arguing that issues of law are dispositive. The Federal Circuit did not agree. Its decision is explicitly based on its claim construction, on its disregard of facts found by the jury based on an unconstitutionally invasive standard of review, and on facts that it re-found *de novo*.

The Federal Circuit committed clear error by applying the "clearly erroneous" standard of Rule 52 Fed.R.Civ.P. to review the decision prepared by the district court pursuant to Rule 50. Application of the "clearly erroneous" standard of review to factual findings of the jury violated Beloit's right under the Seventh Amendment to a trial by jury. The Federal Circuit erred in ignoring the fact that a jury found facts in the district court, in review of the facts found in the district court, and in engaging in its own fact finding. The decision of the Federal Circuit should be reversed.

Respectfully submitted,

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